

## NATIONAL DAIRY MARKET AT A GLANCE

**CHICAGOMERCANTILE EXCHANGE (CME) CASH MARKETS (5/28):**  
**BUTTER:** Grade AA closed at \$1.8150. The weekly average for Grade AA is \$1.8450 (-0.2158).

**CHEESE:** Barrels closed at \$1.7700 and blocks at \$1.8000. The weekly average for barrels is \$1.7700 (-0.0160) and blocks, \$1.8000 (-0.1600).

**NONFAT DRY MILK:** Extra Grade closed at \$0.9200 and Grade A at \$0.9200. The weekly average for both Extra Grade and Grade A is \$0.9200 (N.C.).

**BUTTER:** During the week, the cash price at the CME dipped to the lowest level since mid February, but recovered somewhat at weeks end. Traders and handlers are somewhat surprised at the weakness, but on the other hand are pleased that base prices for cream during the upcoming holiday weekend will be lower. The combination of spring flush, slowing Class I milk demand, and less milk clearing to Class III (cheese) plants is causing many butter/powder plants to operate at or near peak levels. In most instances, butter stocks are at lower than desired levels for this time of the season thus active churning during the Memorial Day holiday period will be welcomed. Due to firm cash prices and limited domestic butter volumes during the early months of 2004, heavier than usual butter imports entered the U.S. During the first four months of 2004, quota butter imports totaled nearly 6.2 million pounds compared to 3.9 million pounds for the January – April 2003 period. High tier or non quota volumes for the same period in 2004 totaled 958,000 pounds compared to 57,000 pounds for the same four month period last year. Retail butter demand is somewhat slower as higher prices are passed along the marketing chain. Food service orders are rated as good as outlets prepare for the first big weekend of the summer season.

**CHEESE:** The cheese market is unsettled to weak. Cheese demand has not improved appreciably enough to reduce plant inventories. While some buyers have delayed purchases in hope of additional price declines and/or the weekly average to catch up, others made purchases just to replenish depleted stocks. Plant inventories are accumulating despite efforts by some operators to limit production. Plant milk intakes are steady to higher seasonally. The holiday weekend has generated increased milk offerings and many plants will operate on extended schedules to process the discounted offerings.

**FLUID MILK:** Memorial Day is upon us and milk supplies are heavier than many contacts have seen in the past four-five years. Milk production is past its peak in the South while still approaching the peak in the far northern parts of the country. Fluid milk supplies are growing and manufacturing plant capacities are being stretched. Butter/powder contacts report that after having little or no milk to process early in the year, they are now near capacity and finding people to operate the plant is an issue for some. Bottled milk sales are slowing as schools are recessing for summer. The fluid cream market is mixed. It was firm early in the week, but supplies were long later in the week and offerings of excess cream to butter producers increased. Class II demand is fair to good. The warmer weather in much of the East is helping soft serve mix sales.

**DRY PRODUCTS:** The NDM market is little changed. Production levels are up significantly in most parts of the country. Surplus milk volumes are heavy, which is a combination of slower Class I & III milk demand coinciding with the Memorial Day weekend and the spring flush. Butter/powder plant contacts have seen their receipts increase dramatically in the past few weeks. Most have capacity to handle the milk, but there are instances where condensed skim was shipped to other regions of the country for processing. Demand for NDM is fair and prices are mixed. Despite the higher output, NDM stocks at the producer level are light and generally committed to contract accounts. The dry whey market is steady at the producer level; steady to slightly weaker at the resale level. Most producers report steady to lower production and a contractual market. Traders are more often reporting a lackluster spot demand. The dry buttermilk market is mostly steady with prices unchanged to occasionally higher in the West. The WPC market continues to show firmness, but not at the levels seen in April and early May. Demand is often slower as users see NDM from CCC stocks as a competitor to this market.

**CCC:** For the week of May 24 – 28, CCC purchased 2,910,009 net pounds of non-fortified NDM through the Export Donation Program under Invitation 080 to Announcement FMP1. The cumulative total under Invitation 080 is 40,897,847 pounds. Under invitation 011 to DSC1, CCC awarded contracts for the sale of 554,684 pounds of NDM for unrestricted use at prices ranging \$0.8650 -0.8950. Also, under invitation 023 to RSC1, CCC awarded contracts for the sale 620,070 pounds of NDM for restricted use at prices ranging \$0.6450 – 0.6926. **CCC SALES NOTE:** The CCC has issued the following invitations: 024 to RSC1 inviting competitive bids to purchase approx. 1,000,000 pounds of NDM for restricted use and 012 to DSC1 for sale of approx. 4,000,000 pounds of NDM for unrestricted use. Bids for both invitations are due by 1:00 P.M. CDT, June 7, 2004.

**COLD STORAGE (NASS):** During April, U.S. cold storage holdings of butter totaled 155.8 million pounds, 2.3 million pounds (1.5%) less than a month ago and 107.9 million pounds (40.9%) less than last year. Natural American cheese holdings total 527.8 million pounds, 7.04 million pounds more (1.3%) than a month ago, 6.9 million pounds (1.3%) less than a year ago. Nonfat dry milk holdings at the end of March total 850 million pounds, 46 million pounds less than last month and 397 million pounds less than last March. The government holds 89.5% of the total nonfat holdings.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the first three months of 2004 totals 42.0 billion pounds, 0.1% above the same period in 2003. Comparing disappearance with year earlier levels: butter is -8.4%; American cheese, +2.5%; other cheese, +6.6%; NDM, +97.2%; and fluid milk products, -1.1%

**CONSUMER PRICE INDEX (BLS):** The April CPI for all food is 184.5, up 3.4% from 2003. The dairy products index at 174.0, is up 4.9% from a year ago. The following are the April to April changes for selected products: fresh whole milk +8.0%, cheese +5.4%, and butter +31.5%.

## \*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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CHICAGO MERCANTILE EXCHANGE  
CASH TRADING

PRODUCT	MONDAY MAY 24	TUESDAY MAY 25	WEDNESDAY MAY 26	THURSDAY MAY 27	FRIDAY MAY 28	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.7700 (+.1600)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	(+.1600)	\$1.7700 (-.0160)
40# BLOCKS	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	(N.C.)	\$1.8000 (-.1600)
NONFAT DRY MILK							
EXTRA GRADE	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
GRADE A	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	(N.C.)	\$.9200 (N.C.)
BUTTER							
GRADE AA	\$1.9500 (-.1100)	-----	\$1.7700 (-.1800)	-----	\$1.8150 (+.0450)	(-.2450)	\$1.8450 (-.2158)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDAGOV/MARKETNEWS.HTM \*\* CME CLOSED ON MAY 31 FOR MEMORIAL DAY HOLIDAY \*\*

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, MAY 24, 2004

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.7700, 1 @ \$1.7650, 1 @ \$1.7700; 3 CARS 40# BLOCKS: 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975; BIDS UNFILLED: 6 CARS BARRELS: 1 @ \$1.6900, 1 @ \$1.6700, 1 @ \$1.6500, 1 @ \$1.6400, 1 @ \$1.6300, 1 @ \$1.6200; 1 CAR 40# BLOCKS @ \$1.8000; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 16 CARS GRADE AA: 2 @ \$1.9500, 2 @ \$1.9400, 3 @ \$1.9300, 1 @ \$1.9375, 1 @ \$1.9300, 1 @ \$1.9400, 6 @ \$1.9500; BIDS UNFILLED: 12 CARS GRADE AA: 1 @ \$1.9400, 6 @ \$1.9000, 5 @ \$1.8000; OFFERS UNCOVERED: 16 CARS GRADE AA: 1 @ \$1.9600, 2 @ \$1.9675, 3 @ \$1.9800, 3 @ \$2.0000, 1 @ \$2.0700, 5 @ \$2.0300, 1 @ \$2.0400

TUESDAY, MAY 25, 2004

CHEESE — SALES: 13 CARS BARRELS: 5 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7650, 1 @ \$1.7600, 1 @ \$1.7700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, MAY 26, 2004

CHEESE — SALES: 20 CARS BARRELS: 1 @ \$1.7600, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7650, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675, 2 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700, 1 @ \$1.7675; 7 CARS 40# BLOCKS: 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975; BIDS UNFILLED: 1 CAR BARRELS @ \$1.7700; 1 CAR 40# BLOCKS @ \$1.8000; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 26 CARS GRADE AA: 2 @ \$1.8200, 2 @ \$1.8000, 2 @ \$1.7700, 1 @ \$1.7725, 1 @ \$1.7700, 1 @ \$1.7725, 2 @ \$1.7700, 2 @ \$1.7725, 2 @ \$1.7700, 2 @ \$1.7725, 9 @ \$1.7700; BIDS UNFILLED: 11 CARS GRADE AA: 4 @ \$1.7700, 1 @ \$1.7600, 2 @ \$1.7550, 2 @ \$1.7500, 1 @ \$1.5025, 1 @ \$1.5000; OFFERS UNCOVERED: 13 CARS GRADE AA: 5 @ \$1.8000, 2 @ \$1.8750, 2 @ \$1.8900, 2 @ \$1.9250, 2 @ \$1.9500

THURSDAY, MAY 27, 2004

CHEESE — SALES: 4 CARS BARRELS: 1 @ \$1.7600, 1 @ \$1.7700, 1 @ \$1.7675, 1 @ \$1.7700; 6 CARS 40# BLOCKS: 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7950, 1 @ \$1.8000, 1 @ \$1.7950, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, MAY 28, 2004

CHEESE — SALES: 3 CARS BARRELS: 2 @ \$1.7625, 1 @ \$1.7700; 18 CARS 40# BLOCKS: 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 17 CARS GRADE AA: 1 @ \$1.7800, 2 @ \$1.7825, 1 @ \$1.8025, 3 @ \$1.8075, 2 @ \$1.8125, 3 @ \$1.8150, 3 @ \$1.8200, 1 @ \$1.8175, 1 @ \$1.8150; BIDS UNFILLED: 12 CARS GRADE AA: 4 @ \$1.8150, 1 @ \$1.8100, 1 @ \$1.7725, 2 @ \$1.7700, 1 @ \$1.7600, 1 @ \$1.7100, 2 @ \$1.6500; OFFERS UNCOVERED: NONE

**BUTTER MARKETS****NORTHEAST**

Following last week's early price increases, the CME cash market for butter has dipped below \$2.00 for the first time since the first week of March. Market indicators seem to indicate continued, short-term weakness in the butter market. Churning activity in the East is very heavy and excess cream volumes are being cleared to Midwestern butter producers. The combination of spring flush, slowing Class I milk demand, and less milk clearing to Class III (cheese) plants is causing most butter/powder plants to operate at peak levels. It is not always easy for plants to gear up this quickly since many employees had been laid off when milk supplies were tight. Butter supplies are increasing and demand is slower. However, although interest in bulk is slowing, most contacts feel that supplies will tighten as we progress into summer. Packaged butter sales are slower as the higher retail prices are hurting sales. Food service orders are picking up slightly as seasonal restaurants are gearing up for summer needs. This coming holiday weekend market the beginning of the summer season along the Northeast's Shore. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

**CENTRAL**

The market tone is weak. At midweek, the cash price at the CME has declined over \$.30 in three successive trading sessions to \$1.7700, which is the lowest it has been since mid February. Traders and handlers are somewhat surprised at the weakness, but on the other hand are pleased that base prices for cream during the upcoming holiday weekend will be lower. At midweek, offerings of cream are reported to be available to maintain active churning schedules. Printers anticipate cream offering, from both local and out of area sources, to be heavier as surplus milk becomes available during the holiday period. Stocks of butter are sufficient for the fair at best demand, but continue to lag desired levels for this time of the season. Butter demand from retailers has slowed as more buyers are indicating that consumers

appear to be more hesitant to pay the higher prices and are looking for lower priced alternatives or going without. Food service orders remain active as resorts and vacation areas prepare for the holiday weekend and the unofficial beginning of the summer vacation season. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

**WEST**

Cash butter prices at the CME market began to fall late last week and continued to decline this week. So far, the price is down more than 30 cents in the last three sessions. Western contacts are somewhat surprised at the magnitude of the decline, not that the market is lower. Production in the region is definitely higher because of more surplus cream available and cheese plants not wanting to take on expensive milk supplies to make cheese that is sharply lower in price. Western butter producers are not building any real stocks of butter that they are concerned about. Most feel that butter supplies will be tight through the summer season and into the fall. Retail demand is somewhat slower as higher prices are passed along the marketing chain. Food service orders are rated as good as outlets prepare for the first big weekend of the summer season. CME weekly warehouse stocks grew by 4.4 million pounds last week to reach 98 million pounds. Over the last six weeks, stocks have grown by 10.5 million pounds compared to an increase of 28.5 million pounds last year over the same period. U.S. Cold Storage stocks of butter at the end of April total 155.8 million pounds, down 41% or 107.9 million pounds from last year. Over the last three months, stocks in this report have grown by 4.2 million pounds. Over the past five years, the average growth for the period is more than 60 million pounds. Quota butter imports for the first four months of the year total 6.2 million pounds. This is 40% of the annual total. Over quota, High Tier imports total 957,600 pounds, sharply heavier than last year, but limited by tight international supplies. Current prices for bulk butter range from flat market to 5 cents under based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
MAY 22	2.1180	2.0514	0.8442	2.0945	0.3066
	9,212,551	9,405,313	21,555,831	3,256,127	8,746,144

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are sharply (10 - 12.5 cents) lower as the CME price for cheese continues to fall. The 40# block price is below \$2.00 for the first time since mid-March. Cheese production is light to moderate in the East as cheese makers definitely do not want to make \$1.80 cheese with \$20.00 milk. However, contacts expect this spring's surplus milk volumes to be the heaviest they have been in many years and Class IV plants are full. So, cheese makers are taking advantage of some discounted milk prices to operate their plants more profitably. The way things are shaping up, from a milk processing point of view, this Memorial Day weekend may be one to the busiest in the past four or five years. Demand for cheese is slow to fair at retail; improving in food service. The Memorial Day weekend marks the beginning of summer and process and other cheese orders are increasing from resort-area (Eastern shore) restaurants and fast food outlets.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	2.0275-2.5425
Cheddar Single Daisies	:	1.9850-2.4600
Cheddar 40# Block	:	2.1000-2.3600
Process 5# Loaf	:	1.9950-2.2000
Process 5# Sliced	:	2.0150-2.2575
Muenster	:	2.2000-2.4025
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is unsettled to weak. As usual when prices decline, many buyers delay purchases hoping for additional reductions. Others are just waiting for the weekly price average to catch up after substantial price declines. Overall demand remains slow. A few sellers have been making spot sales based on the daily price rather than the weekly average. Bulk cheese sales remain sluggish and plant inventories continue to build. Packagers and processors will be down an extra day over the holiday weekend, reducing bulk cheese needs. Mozzarella movement is slow seasonally. Current cheese production is seasonally heavy as milk intakes approach or, in a few cases, have reached, annual peak levels. With additional schools closed, the extra milk generated over the holiday weekend will be discounted, some substantially. Plant capacity is limited for additional fluid volumes.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.9650-2.6000
Brick And/Or Muenster 5#	:	2.5800-2.6150
Cheddar 40# Block	:	2.2650-2.4800
Monterey Jack 10#	:	2.2650-2.6500
Blue 5#	:	2.7100-3.2900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2575-2.4800
Grade A Swiss Cuts 6 - 9#	:	2.5075-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

## BUTTER : CHEESE

	:	
05/24/04	40,661	: 140,060
05/01/04	40,348	: 132,971
CHANGE	313	: 7,089
% CHANGE	1	: 5

## WEST

Weekly average prices at the CME cash market declined for the fourth consecutive week. The price relationship between blocks and barrels is back to a more normal three cent spread. The market seems to be finding some support at these trading levels. Western contacts feel prices could remain in this range for a period of time. Buyers are holding off on additional purchases until they are forced to replace depleted stocks because they feel that there is the possibility of further weakness. Swiss sales activity seems to be holding up pretty well. Mozzarella sales remain slow with stocks building. The U.S. Cold Storage report indicates that American cheese stocks at the end of April total 527.8 million pounds, up 1% from last month (7.0 million pounds) but down 1% from last year (6.9 million pounds). Swiss cheese stocks are 27.5 million pounds, up 18% from last month (4.2 million pounds) and 6% from last year (1.7 million pounds).

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.9350-2.1950
Cheddar 40# Block	:	2.0825-2.4350
Cheddar 10# Cuts	:	2.2625-2.4825
Monterey Jack 10#	:	2.2725-2.4325
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

## FOREIGN

Prices are steady to sharply lower on domestic styles. The U.S. cheese market has weakened significantly in the past few weeks. The CME's cash price for 40# blocks (the basis for most domestic cheese prices) has fallen below \$2.00 for the first time since mid-March. Demand for imported and foreign-type cheese is slow along seasonal patterns. Recent reports indicate that cheese imports during the first four months of 2004 are mixed. Imports of cheese subject to licensing totaled 38.605 million Kg, 9.2% more than the same period last year. During that same period, imports of high-tier cheese totaled 5.676 million Kg, 16.5% less than the same period last year. Earlier this month, the EU management committee cut cheese export refunds by 7.6% and they are now 25% less than they were a year ago.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.1900	: 2.3225-3.8125*
Gorgonzola	: 3.6900-5.9400	: 2.4900-2.8350*
Parmesan (Italy)	: TFEWR	: 3.7325-3.8425*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 2.3325-2.5575*
Romano (Cows Milk)	: -0-	: 3.5200-5.6925*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.8900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.



## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	215	0	234	0	209
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is easing lower in the Southeast while steady to slightly higher in the far north. Milk output in the Middle Atlantic area is about steady. However, temperatures in the 90'S are common from the Middle Atlantic area down to Florida and the milk output is starting to be affected. In the Northeast, heavy rainfall is common. The rains are hampering first cutting of alfalfa and other field work. Where cows are just getting on pasture, the milk flow has shown increases. Fluid milk supplies are heavy and contacts feel that this Memorial Day holiday may be one of the heaviest milk-processing weekends we've seen in the last four to five years. At the time of this report, the heaviest volumes of surplus milk seem to be in the Southeast where most schools have recessed for the summer. Florida's milk supply is long and shipments out of state are still heavy. Throughout the region, bottled milk sales are mixed, ranging from mostly slow to fair. However, some contacts feel that after the initial "sticker shock" of May milk price increases, consumers appear to be making normal purchases. The condensed skim markets are little changed. Demand is slow to fair and prices are unchanged. Most sales are to Class II or IV accounts. The fluid cream market is also mixed. Some improved demand and lighter offerings are helping some suppliers clear their offerings. However, others report long supplies and little demand. Most of the higher prices and good demand were noted early in the week. Spot sales are slower as buyers seem to be waiting for lower prices. Last week's CME butter average fell 2.6 cents, but Monday's (5/24) trading saw the butter price dip eleven cents and is below \$2.00 for the first time since early March. Cream cheese output is seasonally slow to fair. Ice cream production is steady, but as cream prices fall, some operations are showing a little more interest. However, a few operations are expected to be down an extra day this weekend. The hot weather has giving soft serve mix sales a boost and some producers are looking for extra cream. Bottled cream sales are about steady. Churning activity is increasing in the East and some loads of excess cream are clearing to Midwest butter makers.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.5347-2.8542
DELIVERED EQUIVALENT ATLANTA	-	2.5348-2.7615 M 2.5760-2.7203
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.4936-2.7821

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9100- .9400
NORTHEAST- CLASS III - SPOT PRICES	- 1.4800-1.5400

## M I D W E S T

Milk supplies are ample to burdensome and demand is limited. Class I demand was steady, at best, at light levels. School milk needs will be lower next week, between the Monday holiday and the irregular closing of additional systems for summer vacation. A few handlers thought Class I demand might improve ahead of the higher June milk prices but so far, nothing developed. An increase in Class II usage for cottage cheese, whipped cream, and dip production occurred in some markets. Milk handlers were happy to supply the extra milk volume needed. The large volume of holiday surplus milk is the concern for handlers as spare manufacturing space is very limited. Weather related problems caused at least one plant to lose power and reduced throughput during the past week. Discounts to clear spot milk volumes continue, ranging from -\$2.00 to -\$5.50 under class/components with rumors of even larger discounts. Financial exposure and/or sluggish sales caused by recent price declines in cheese and butter caused a few plant operators to limit their operating schedules. Ice cream production is about steady though most firms will be off an extra day over the holiday weekend. Cream multiples are often lower with holiday weekend levels discounted further. Milk intakes are steady to slightly higher. Heavy rains in some areas on already saturated fields caused erosion on hillsides, a few mudslides, and new and larger farm ponds are found on flat fields. Standing water is even seen in sandy areas. While alfalfa tests for quality in some

counties are prime, many fields are simply too wet to harvest. Planting and replanting fields are also delayed.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 20 - 26	PREVIOUS YEAR
SLAUGHTER COWS	\$ 51.50- 59.00	N. A.
REPLACEMENT HEIFER CALVES	\$350.00-600.00	N. A.

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 20 - 26	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.50- 60.00	\$ 47.00- 50.00

## W E S T

April 2004 POOL RECEIPTS of milk in CALIFORNIA total 2.95 billion pounds, 2.4% lower than last year. (The change is affected by milk volumes not being included in the pool receipts for April 2004.) The April blend price, at a fat test of 3.62%, is \$17.26, \$3.13 higher than March and \$7.25 above April 2003. The percentage of receipts used in Class 1 products is 16.47%. The April quota price is \$18.23 and the over quota price is \$16.53. These prices are \$2.79 higher than March and \$7.21 more than a year earlier. CALIFORNIA milk production levels are generally 1 to 2% above year ago levels in most regions. Temperatures are seasonally cool to moderate and allowing milk cows to make milk without much stress. The milk supplies over the holiday weekend may tax plant capacities in the state at a time when cheese and butter prices have declined. Several plants are currently running at near capacity. This is making decisions on where to place milk sometimes difficult. Additional components are being shipped out of state for processing. Cheese plants are trying to sell milk or divert contracted milk supplies with mixed success. Class 1 demand varies considerably across the state and bottled milk orders are sporadic. Demand is lighter from schools on holiday and recess to instances higher from retail buyers looking again to "beat" the June price increase. ARIZONA milk volumes are declining weekly. Levels are down from both last month and a year ago. The impact of weather has been slight, while cow availability and lower allocations of BST have limited growth. Plants have capacity and are taking in surplus milk from nearby states over the holiday. Conditions in NEW MEXICO are unchanged from recent weeks. Milk supplies are heavy with surplus moving out of state for processing. Cheese plants want less milk following cheese price declines. CREAM prices are sharply lower this week as pricing levels at the CME butter market moved lower and closed at \$1.7700 on Wednesday, a decline of over 30 cents from a week ago. The impact of the price change is making it difficult to ship spot loads out of California because of the multiple needed. Cream is moving under contract or ending up at local churns. Churning will be heavy over the holiday weekend. Despite higher class prices in June for cream going into ice cream, demand has not accelerated. Cream multiples range from 107 to 124, FOB, and vary depending on class usage and basing point. Milk output in the PACIFIC NORTHWEST appears to be about flat for this time of year. A good grass silage harvest is helping production, but the later than expected availability of first cutting hay is causing problems. Lots of dairy producers are running out of dairy quality hay and being forced to use some of their own feeder hay or go to what is left on the market from last year. This hay quality is bringing down production per cow for those impacted. New crop hay is not available because of weather problems in the hay growing areas of the region. There has been enough shower activity to not allow cut hay to be baled. This has been going on for two weeks in some instances and quality has deteriorated to the unusable state. Other growers have not cut and are waiting for a harvest window of good weather and their hay is way past prime quality because it is too mature. The little new crop hay that is available is becoming more expensive. Early prices are noted between \$120-125 in the stack on a very limited test. Dairy plants in the region are not expecting any problems with plant capacity to handle the milk over the holiday weekend. They do question whether they want the milk and the resulting products with most commodity prices moving sharply lower at the CME cash market. Some much needed rain fell last weekend in parts of UTAH and IDAHO. It did cause some hay harvesting problems, but not as bad as in WASHINGTON. It is still early in the growing season for alfalfa in the Intermountain region so the rush to harvest is not quite as strong. Decent quality hay supplies seem to be still available to supplement feeding until new crop supplies are available. Excess milk is available in the region and it is having a tough time finding a willing buyer. Plant capacity is not the issue. Manufacturers do not want to make products that are falling in value with expensive milk.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are unchanged on a steady market. Trade activity is generally light and mostly contractual. Production is heavier, especially as cheese plants make concerted efforts to divert contracted milk volumes in an attempt to avoid storing cheese at the higher milk prices. Supplies of milk are expected to be ample over the holiday weekend. However, most NDM plants expect that excess milk intakes will be adequately handled. With more CCC NDM being offered to the trade, concerns regarding NDM shortages this summer are reduced. Movement of NDM from the West to the Central is reported at competitive prices, especially on aged resale supplies from government sellbacks. High heat demand remains strong with supplies short of buyer interest.

EAST: Eastern prices are unchanged. Production levels continue to increase as milk supplies rise in most parts of the East. The spring flush seems to have reappeared after several years of relatively light milk supplies on Memorial Day. It isn't so much that milk production is up, but demand from other Class uses is down. Schools are closing in the Southeast and bottlers are cutting their milk orders. In the Northeast, the milk flow is peaking, but some cheese producers are limiting their milk intakes. This gives Class IV operations quite a bit more milk to process over the holiday weekend. Most plants still have capacity should it be needed. There are reports of condensed skim being shipped into the region from the West to find processing capacity. Plant stocks are increasing, but most of the current output is already committed. Most spot sales continue to be filled with powder that was once owned by CCC and returned to the market through their various programs. Demand is steady at generally fair levels. There is continued concern about late-summer/early-fall availability.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8300 - .9800 MOSTLY: .8700 - .9100  
HIGHHEAT: .8625 - 1.2000

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices are lower on the top ends of both the range and mostly series. This reflects the trend of buyers' reluctance to pay the higher prices that resulted from several weeks of run ups in the market. There are more offerings available from both producers and resellers and asking prices have had to be lowered. However, prices are expected to move higher off the bottom end of the range as basis levels increase and fuel surcharges are added to June prices. Production schedules have increased to handle growing milk volumes in the region. Cheese producers remain reluctant to make and store cheese. The result is milk being sold and less NDM and condensed being used in cheese production. The extended holiday weekend could pressure production capacities, but processors are confident they will get through alright. Stocks are building at some locations on a limited basis while other processors are catching up on past orders. No support price purchases were made for the week of May 17 - 21. High heat prices moved sharply higher. The market was tested with additional spot loads this week and prices moved higher on the top end of the range. The top price moved closer to the top end of the Central/East price range. Buying interest is good and high heat is moving. Past contract loads are being delivered and production has been increased. Stocks are generally light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8200 - .8900 MOSTLY: .8200 - .8700  
HIGHHEAT: .8575 - 1.1200

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 21	\$.8272	15,376,258	0
May 14	\$.8219	14,822,976	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged and nominal on steady to firm market. More milk and cream are available to churns as the holiday weekend approaches. As a result, production of condensed buttermilk is increasing. End-user demand for condensed buttermilk is generally steady, encouraging condensed buttermilk movement into dryers. Increased supplies of dry buttermilk are not currently affecting buttermilk prices. Additional dry buttermilk produced is being readily consumed by contractual users previously shorted on their orders. Spot movement of dry buttermilk is light with offers generally noted on the high-side of the range.

F.O.B. CENTRAL:

1.0775 - 1.2700

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices and the market tone are unchanged. The Northeastern price range is still nominal and includes resale prices. Production levels are up slightly as most regional churns have been operating since mid-May. However, much of the buttermilk is clearing as a liquid and with all the skim to be dried, there is little dryer-time to make buttermilk powder. Plant stocks are light. Demand is fair to good, but prices are often an issue with some users.

F.O.B. NORTHEAST:

1.0000 - 1.1900

DELVD SOUTHEAST:

.9800 - 1.2000

**DRY BUTTERMILK - WEST**

Dry buttermilk prices continue to move upwards in light to moderate trading. Some additional buttermilk is becoming available, but often only LTL quantities are available from producers and resellers. Production is higher as more cream is churned. The unsettledness in cheese prices and declines in butter prices is pushing more milk and cream towards butter production. Seasonal interest in dry buttermilk from ice cream producers is slow to develop. Also, some demand continues to be filled with alternative products. Inventory levels are light.

F.O.B. WEST:

.9900 - 1.0500 MOSTLY: 1.0200 - 1.0400

**DRY WHOLE MILK - NATIONAL**

Prices are mostly unchanged and remain nominal. Production levels are light as most dryers are busy making NDM. Surplus milk volumes are heavier in most of the country, a typical pattern for Memorial Day weekend. Plant stocks are closely balanced and demand is little changed. Imported product is reported harder to locate.

F.O.B. PRODUCING PLANT:

1.4150 - 1.5800

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2003 - YTD  
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT. Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY – CENTRAL**

Prices are unchanged on a cautiously steady market. Manufacturers are reporting steady prices and stocks generally in balance. Production is mixed. While some locations report reduced production in response to lower milk intakes at the cheese plant, others report steady to higher production in response to heavier milk supplies available as the holiday weekend nears. Reseller stocks are building at some locations. Some resellers are therefore offering at a discount with trades reported at 1-3 cents under the average. Whey stocks at some feed plants are heavy, encouraging feed users to resell excess whey back onto the market at a discount. The market undertone is weak.

F.O.B. CENTRAL: .3050 - .3250 MOSTLY: .3050 - .3150

**DRY WHEY - NORTHEAST AND SOUTHEAST**

The market tone and prices are steady. Contacts report that the overall market activity is slowing. Production levels are light to moderate and few, if any, spot loads are available direct from the producer. Cheese output is often lighter, but most large operations continue to run on steady schedules. This week, one cheese plant did close and its output will be moved into a sister operation. Most traders do have product to offer. Current demand is lackluster and most traders are holding stocks for future needs. Despite the current upswing in milk supplies and lack of demand for whey, many trade contacts feel that dry whey will be in tight supply later this summer. There are more reports of end users, who find that they have too much on hand, offering loads of whey at competitive prices. Spot buyers seeing these increased offers from resellers appear to be in more of a wait and see posture. With few exceptions, all spot sales are resale loads.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3150 - .3400  
DELVD SOUTHEAST: .3250 - .3600

**DRY WHEY – WEST**

Western whey prices are somewhat mixed with prices moving both higher and lower in more active trading. The underlying market tone does seem to be still cautiously firm. Some manufacturers are building heavier than desired stocks and they are discounting. Others are in good shape and they are still calling the market firm. Production of whey powder is expected to be heavier over the upcoming holiday weekend. Market watchers are very interested to see what this market might look like in a few weeks.

NONHYGROSCOPIC: .2450 - .3100 MOSTLY: .2700 - .2800

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged to lower and nominal on a steady market. Sales and supplies are light. Interest is good as feed buyers seek low cost alternatives to the Extra Grade whey market. Veal and early weaned pig markets are steady to weak. April veal production totaled 13.9 million pounds, 13% below April a year ago. Calf slaughter totaled 70,700 head, down 11% from April 2003. Pork production totaled 1.73 billion pounds, up 4% from the previous year, setting a record monthly high. Hog kill totaled 8.65 million head, 4% above April 2003.

F.O.B. CENTRAL:  
MILK REPLACER: .2500 - .3000

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are higher on a firm market. Trade activity is very light. Less interest is being noted at the higher prices despite the limited supply availability. Offering prices are generally reported at 1-4 cents over the market. Some plants are turning away business. The undertone is mixed as sellers believe the market needs to continue to firm to "catch up" with the whey market whereas buyers believe the market will have to settle, especially with the continued offerings of CCC NDM back to the trade. Demand for high protein products remains strong with higher prices reported. Off grade supplies are limited for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .6425 - .6750 MOSTLY: .6425 - .6475

**LACTOSE - CENTRAL AND WEST**

Lactose prices are unchanged on a mostly steady market. Production is generally steady. Stocks are mixed with some plants reportedly "sold out" whereas others are "building inventories". Most movement is occurring steadily on a contractual basis. Spot trade is noted above and below the average depending on whether the product is of a higher or lower mesh size respectively. Negotiations for third quarter are slowly commencing with some resistance noted at the current price levels. New Zealand interest in US lactose remains significantly reduced compared to previous years. Asian interest in US lactose is generally good. Off grade supplies are light for the good feed interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2700 MOSTLY: .2300 - .2450

**CASEIN – NATIONAL**

Casein markets remain firm. Domestic buyers are basically securing their contracted volumes, but are having much difficulty locating additional volumes if needed. Most suppliers indicate that they are also working under very tight conditions and that many do not see much recovery in the foreseeable future. Prices remain firm and some suppliers have announced price increases to become effective June 1. The Kansas City Commodity Office has been and continues to make available for sale, government owned nonfat dry milk for the production of casein/caseinates. Under invitation #017, all bids received by May 17 were rejected at prices ranging \$0.2825 to \$0.3000 per pound. On Monday May 24, the KC Commodity Office issued invitation #018 for casein/caseinate production. Bids were due on Thursday May 27 with public notification on Tuesday June 1. During the three most recent rounds of bidding (#015-017), all bids ranging in price from \$0.2200 - \$0.3000 per pound have been rejected.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.3500 - 2.5500  
ACID: 2.3500 - 2.5500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production levels are getting back to normal schedules. Surplus milk volumes, though high priced, are in ample supply and some producers are able to buy loads at discounted prices. The Memorial Day weekend is shaping up to be one where milk processing capacity is at a premium for all classes of milk. Producer stocks are lighter than expected for this time of year. Contacts note that, although pricing is a major factor for most buyers, this year availability may become more of a factor. Many in the dairy industry still feel that milk supplies will tighten significantly as we progress through the summer and into fall. Should these predictions come to fruition, it could be difficult for some producers to find enough milk to meet orders. Current demand is seasonally slow.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	05/12	05/13	05/14	05/17	05/18	05/19	05/20	05/21	05/24	05/25
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
MAY 04	20.39 (8269) 42	20.22 (8250) 112	20.40 (8214) 165	20.49 (8227) 47	20.59 (8229) 15	20.59 (8232) 49	20.60 (8231) 10	20.48 (8218) 82	20.55 (8199) 44	20.55 (8199) 1
JUN 04	16.89 (5624) 683	16.14 (5657) 404	15.85 (5794) 434	16.52 (5917) 738	16.40 (5964) 449	16.55 (6172) 638	16.60 (5985) 584	15.86 (5915) 478	16.61 (6109) 486	16.78 (6016) 317
JUL 04	15.43 (4357) 191	14.75 (4485) 216	14.52 (4479) 143	14.99 (4565) 284	14.65 (4644) 175	14.69 (4656) 118	14.49 (4761) 541	14.11 (4770) 177	14.83 (4812) 280	14.85 (4825) 126
AUG 04	15.46 (4035) 132	14.75 (4057) 105	14.50 (4101) 105	15.00 (4173) 287	14.76 (4167) 77	14.65 (4227) 102	14.45 (4419) 321	14.12 (4419) 125	14.85 (4539) 234	14.80 (4550) 105
SEP 04	14.89 (3811) 26	14.50 (3841) 106	14.35 (3865) 50	14.62 (3859) 115	14.50 (3833) 43	14.50 (3869) 50	14.30 (3975) 297	14.15 (3992) 66	14.65 (4029) 73	14.68 (4034) 145
OCT 04	14.60 (3038) 24	14.30 (3073) 95	14.30 (3077) 32	14.50 (3094) 54	14.50 (3091) 11	14.30 (3093) 10	14.24 (3108) 36	13.95 (3108) 68	14.19 (3118) 21	14.15 (3117) 50
NOV 04	13.18 (1922) 5	13.00 (1929) 36	13.00 (1932) 9	13.20 (1940) 46	13.01 (1940) 10	13.10 (1944) 6	13.00 (1959) 28	12.85 (1956) 4	13.00 (1995) 82	13.00 (1985) 31
DEC 04	12.15 (1710) 17	12.16 (1710) 2	12.15 (1687) 33	12.30 (1697) 44	12.20 (1721) 37	12.19 (1721) 10	12.16 (1724) 45	11.95 (1699) 45	12.09 (1717) 45	12.10 (1736) 43
JAN 05	11.95 (460) 0	11.95 (460) 2	11.95 (459) 6	12.25 (455) 26	12.10 (455) 1	12.10 (455) 0	12.09 (457) 2	11.95 (457) 0	11.95 (472) 15	11.95 (460) 29
FEB 05	12.00 (419) 1	12.00 (419) 0	12.00 (420) 4	12.20 (425) 10	12.05 (425) 0	12.05 (425) 0	12.05 (425) 0	12.05 (425) 0	12.05 (442) 17	12.05 (425) 36
MAR 05	11.95 (259) 0	11.95 (259) 0	11.95 (259) 0	11.95 (259) 2	11.95 (262) 3	11.95 (262) 0	11.95 (262) 0	11.95 (262) 0	11.95 (277) 15	11.95 (301) 36
APR 05	12.06 (129) 0	12.06 (129) 0	12.06 (129) 0	12.06 (129) 0	12.06 (129) 2	12.00 (129) 0	12.00 (129) 0	12.00 (129) 0	12.00 (144) 15	12.00 (166) 17
MAY 05	11.95 (101) 0	11.95 (102) 1	12.00 (102) 2	12.25 (102) 0	12.25 (102) 0	12.20 (102) 0	12.15 (102) 0	12.15 (102) 0	12.10 (102) 0	12.10 (107) 8
JUN 05	12.05 (62) 0	12.05 (62) 1	12.05 (62) 0	12.10 (62) 0	12.10 (62) 0	12.10 (62) 0	12.10 (62) 0	12.10 (62) 0	12.10 (62) 0	12.10 (64) 2
JUL 05	12.50 (18) 0	12.50 (18) 5	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0	12.50 (18) 0
AUG 05	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.55 (9) 0	12.55 (9) 4	12.55 (9) 0	12.60 (9) 0	12.60 (9) 0	12.60 (9) 0
SEP 05	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0	12.75 (31) 0
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt.</b>										
JUL 04	14.30 (97) 0	14.30 (97) 0	14.30 (97) 0	14.30 (97) 0	14.30 (97) 0	14.30 (97) 0	14.30 (97) 0	14.25 (97) 0	14.25 (97) 0	14.25 (97) 0
AUG 04	14.90 (77) 0	14.90 (77) 0	14.35 (77) 0	14.35 (77) 0	14.35 (77) 5	14.30 (77) 0	14.30 (77) 0	14.25 (77) 0	14.25 (77) 0	14.10 (77) 0
SEP 04	15.10 (77) 0	15.10 (82) 5	14.35 (82) 0	14.35 (82) 0	14.35 (82) 5	14.30 (82) 0	14.30 (82) 0	14.30 (82) 0	14.30 (82) 0	14.30 (84) 2
OCT 04	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.40 (14) 0	14.20 (14) 0	14.20 (14) 0	14.20 (14) 0	14.15 (14) 0	13.55 (14) 0
NOV 04	13.70 (34) 0	13.70 (34) 0	13.70 (34) 0	13.70 (34) 0	13.70 (34) 0	13.50 (34) 0	13.50 (34) 0	13.50 (34) 0	13.50 (34) 0	13.10 (39) 5
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAY 04	201.00 (50) 2	203.00 (40) 4	200.00 (38) 2	200.00 (49) 19	199.00 (55) 14	205.00				
JUL 04	211.00 (386) 1	206.00 (387) 19	201.00 (390) 12	203.00 (386) 10	200.50 (397) 19	204.50 (396) 8	204.00 (396) 22	199.00 (394) 5	194.00 (447) 83	184.50 (451) 49
SEP 04	211.00 (124) 3	207.50 (125) 3	202.50 (126) 11	202.50 (126) 10	201.50 (139) 20	203.50 (139) 0	203.50 (139) 2	198.50 (139) 0	193.50 (150) 18	185.00 (163) 17
OCT 04	210.00 (78) 0	205.00 (79) 1	200.00 (84) 5	199.50 (84) 0	197.00 (92) 8	198.00 (91) 3	198.00 (91) 0	195.00 (91) 0	190.00 (93) 2	181.00 (95) 2
DEC 04	183.00 (66) 0	178.00 (66) 0	174.00 (66) 0	174.00 (68) 7	171.00 (68) 2	170.00 (66) 0	170.00 (66) 0	165.00 (67) 1	162.00 (68) 4	159.00 (73) 5
MAR 05	170.00 (11) 0	167.00 (11) 0	163.00 (11) 0	163.00 (13) 2	163.00 (15) 2	163.00 (15) 0	163.00 (15) 0	160.00 (15) 0	157.00 (15) 0	157.00 (16) 1

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered May 17 - 28, 2004

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** Milk production in many regions of Europe has passed the peak and is already showing signs of decline. Early reports indicate that milk output this season is trailing last year by 2 - 3%. Milk handlers attribute the lower milk volumes to various factors. Some indicate that cooler than usual temperatures and heavier culling with minimal replacements are two significant factors. Supplies of manufactured dairy products in Europe are tight. One trader's observation of the market is that Europe exports about 6% of annual milk production into the international market and with milk production already down between 2 - 3%, this potentially limits the volume of milk (manufactured dairy products) available for export by about one half. This observation, overall tightness of supply, and a firm Euro has prices firming quickly. Some exporters that are holding refunds that need to be used by the end of June are having difficulty with sales negotiations due to limited supplies versus lack of customers. The EU Dairy Management Committee met on Thursday, May 27, and acted upon various dairy related issues. Under the tendering system, they received bids for 819 MT of butter at 152.9 - 155.0 Euros per 100 KG, 1,636 MT of butteroil at 192.5 - 195.0 Euros, and 439 MT of skim milk powder at 35.2 - 37.5 Euros. They accepted bids for the various products at the lower ranges, but did not accept the higher bids. Offerings of butter and cheese to intervention have slowed in recent weeks. Since March 1 through May 23, 9,520 MT of skim milk powder have cleared versus approximately 43,000 MT for the same period last season. Butter offerings to intervention for this same period total 17,096 MT versus 24,243 MT for the same time period last year.

**BUTTER/BUTTEROIL:** Butter market and prices are firm. Milk production is now past the peak in many areas of Europe and is trailing last season by 2 - 3% which is causing concern among many dairy manufacturers and product handlers. Butter clearances to intervention have slowed and overall supplies are in close balance. Potential buyers are facing limited supplies and prices that are often higher than they are willing to pay. European producers and handlers state that the international supply situation is limited, thus these customers that are not purchasing at this time, will be back.

82% BUTTERFAT: 1,850 - 1,950  
99% BUTTERFAT: 1,900 - 2,100

**SKIM MILK POWDER (SMP):** Skim milk powder markets are firm. Prices are higher. Stocks are in close balance and limited. Traders and handlers indicate that international sales activity is limited by lack of supply versus customers. Often, potential customers also balk at the firm prices. Clearances to intervention have slowed considerably. Since March 1 through May 23, intervention clearances have totaled 9,520 MT compared to 43,000 MT for the comparable period last year.

1.25% BUTTERFAT: 2,050 - 2,125

**WHOLE MILK POWDER (WMP):** Whole milk powder prices are higher and the market tone is firm. Milk production in Western Europe has now peaked and is trailing last season by 2 - 3%. This lower production trend is causing concern among traders and handlers, especially for international customer needs. Internationally, stocks of manufactured dairy products are limited and many potential buyers were looking toward Europe and the current season to secure supply needs. At this point, handlers and traders indicate that buyer interest is occurring, but limited supplies are curtailing sales negotiations.

26% BUTTERFAT: 2,100 - 2,200

**SWEET WHEY POWDER:** Whey powder markets are firm as prices increase. Stocks of whey powder are reported to be available and buyers are actively procuring stocks for edible and animal feed purposes. Handlers state that prices are firm now, but anticipate prices to further strengthen later this summer.

NONHYGROSCOPIC: 500 - 525

**OVERVIEW: EASTERN EUROPE:** Milk production in Eastern Europe continues to increase seasonally. The spring flush in this part of Europe usually occurs about one month later than in Western Europe. Those Eastern European countries that joined the EU15 May 1, continue to adjust to the many guideline changes that impact dairy manufacturing and potential sales activity. At this point, many new member countries have dairy operations that are not yet up to EU standards, thus their production is limited to internal country sales. Prior to the merger, many of these Eastern European countries were active in international markets because they were not under EU guidelines. Now

## OCEANIA

**OCEANIA OVERVIEW:** Milk production in Oceania has basically ended in New Zealand with Australia's season end about a month away. At this point, unofficial production trends have output in New Zealand about 4% above last year with Australian production continuing to narrow the deficit margins of earlier in the year. Through March, milk output in Australia continued to lag last year by 4%, but milk handlers are optimistic that this deficit will become less by season's end. Milk handlers and producers indicate that the last half of the production season was favorable and recovery of earlier losses occurred at that time. Most dairy product manufacturers and handlers continue to report that stocks are in close balance with known needs. In most instances, they do not foresee having any surplus for spot or additional buyer interest. In New Zealand, most manufacturing facilities have been shuttered for the season. In Australia, milk volumes continue to keep some plants active, while production schedules in other plants are being reduced by days within a week. Dairy product handlers report that there is buyer interest for end of year supplies, but the limited supply situation has not changed, thus most of this interest is going unfilled. Negotiations continue to occur for sales during the upcoming milk production season with much of the early dairy product production fully committed.

**BUTTER:** Butter markets and prices are basically steady as butter production in Oceania comes to a seasonal close. For the most part, production schedules in New Zealand have ended for the season while output in Australia has about another month of production. Stocks of butter are in close balance for known needs with most handlers indicating that they have no additional supplies for spot buyer or end of the season buyer interest.

82% BUTTERFAT: 1,600 - 1,800

**CHEDDAR CHEESE:** Cheese markets are firm although prices are basically unchanged. Stocks are in close balance and basically committed to regular and ongoing customer needs. For the most part, the current season is soon to end, thus winter shipments will be filled from inventoried stocks. Oceania traders and handlers are about to or are already negotiating contracts for the upcoming production season. Most feel that a large percentage of their early season production will be fully committed by the time the new milk production season resumes in August/September.

39% MAXIMUM MOISTURE: 2,400 - 2,700

**SKIM MILK POWDER (SMP):** Oceania skim milk powder markets are generally steady at unchanged prices, although the market undertone is firm. Supplies and handlers of powder in Australia and New Zealand indicate that stocks are limited to ongoing business for regular customer needs. Most state that they do not have any stocks available for late season buyer interest. Negotiations are ongoing for new season production although the current season is just being completed.

1.25% BUTTERFAT: 1,900 - 2,000

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are generally steady at unchanged prices, although traders and handlers feel that the market tone is firm. Stocks are limited to regular customer needs, with virtually no stock available for spot buyer interest. Traders and handlers state that there is buyer interest, but the limited supply has most of this interest going unfilled.

26% BUTTERFAT: 1,900 - 2,000

Exchange rates for selected foreign currencies: MAY 24, 2004

.7298 Canadian Dollar	.0221 Indian Rupee
.3387 Argentina Peso	.6088 New Zealand Dollar
.0870 Mexican Peso	.6989 Australian Dollar
.2593 Polish Zloty	.0089 Japanese Yen
	1.2013 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0870)= 11.4942. That is 1 US Dollar equals 11.4942 Mexican Pesos.

Source: "Wall Street Journal"

**EASTERN OVERVIEW CONTINUED:** countries in the region that did not join the Union are receiving more potential international buyer interest.



## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	MAR 31, 2002	MAR 31, 2003	REVISED MAR 31, 2004	APR 30, 2002	APR 30, 2003	APR 30, 2004
Butter	145,160	244,958	158,118	196,614	263,735	155,796
Cheese, Natural American	498,290	530,798	520,803	513,576	534,718	527,839
Cheese, Swiss	12,880	25,323	23,277	15,729	25,801	27,478
Cheese, Other Natural	220,552	215,154	215,466	236,327	220,586	215,292

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	1,323	2,576	602	2,063	5,089	400
Natural American Cheese	733	1,602	9,615	626	2,974	9,691

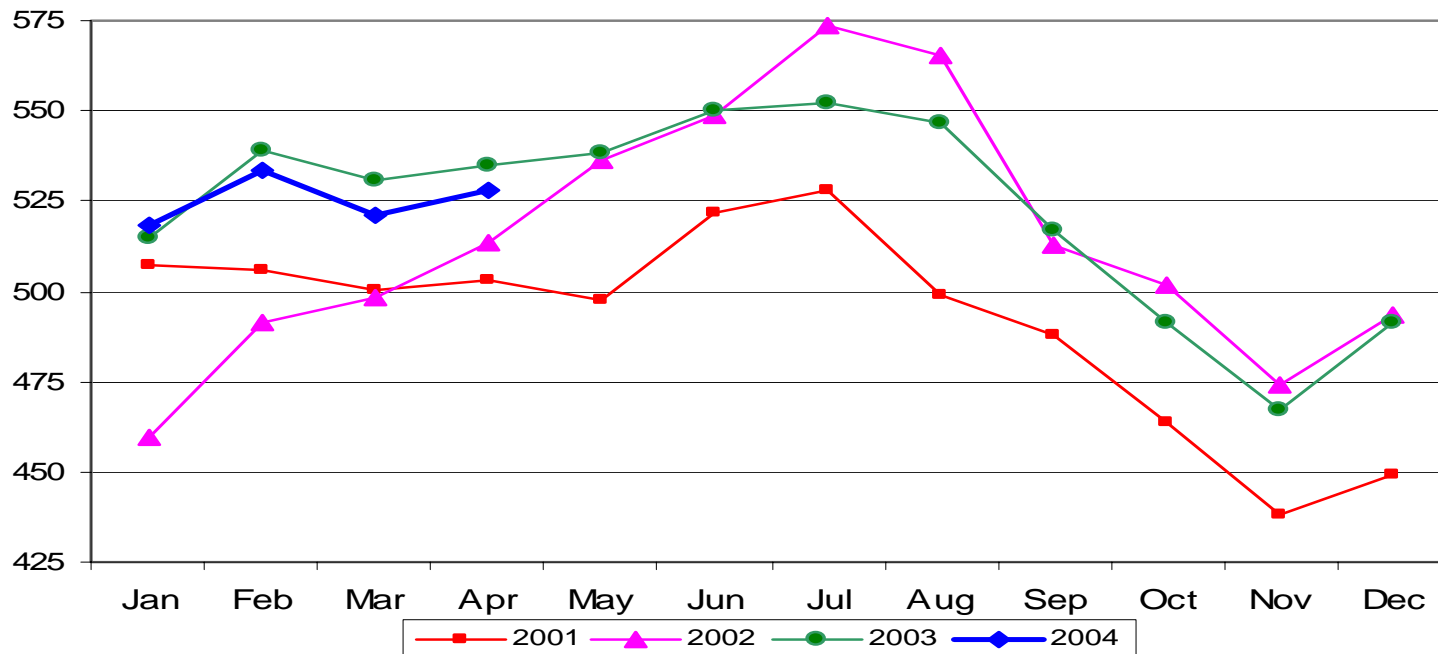
## APRIL STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
New England	20,488	21,422	24,490	---	---	---	429	204	381
Middle Atlantic	64,059	60,470	54,318	---	---	---	40,248	17,260	16,642
East North Central	193,489	218,136	208,238	---	---	---	116,977	129,114	125,610
West North Central	126,448	121,113	113,522	---	---	---	66,684	55,927	52,759
South Atlantic	182	118	7,014	---	---	---	171	1,748	1,326
East South Central	110	269	195	---	---	---	183	1,834	2,458
West South Central	3,544	1,372	2,173	---	---	---	280	208	132
Mountain	9,500	13,946	25,944	---	---	---	2,175	1,678	3,767
Pacific	95,756	97,872	91,945	---	---	---	9,180	12,613	12,217
TOTAL	513,576	534,718	527,839	196,614	263,735	155,796	236,327	220,586	215,292

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS

## AMERICAN CHEESE COLD STORAGE



## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2003 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Million Pounds						Million Pounds						Million Pounds					
January	152	205	151	204	1	<u>3/</u>	518	515	508	515	10	<u>3/</u>	945	1,147	109	112	836	1,036
February	158	240	157	238	1	1	533	539	524	538	10	<u>3/</u>	896	1,187	95	116	800	1,071
March	158	245	158	242	1	3	521	531	511	529	10	2	850	1,247	89	137	761	1,111
April	156	264	155	259	<u>3/</u>	5	528	535	518	532	10	3		1,308		154		1,154
May		298		289		9		539		536		3		1,336		159		1,177
June		301		291		11		550		546		4		1,365		152		1,212
July		284		273		11		552		546		6		1,308		90		1,219
August		254		244		10		547		538		9		1,245		75		1,170
September		207		197		10		517		508		9		1,207		69		1,138
October		170		159		11		491		482		9		1,128		69		1,059
November		123		114		9		467		460		7		1,062		87		975
December		100		93		6		491		482		10		978		108		870

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004	Apr 30, 2002	Apr 30, 2003	Apr 30, 2004
	Thousand Pounds					
Butter	143,837	242,382	157,516	194,551	258,646	155,396
Natural American Cheese	497,557	529,196	511,188	515,950	531,744	518,148

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

**SOURCE:** "Cold Storage," Co St 1 (5-04) and "Dairy Products," Da 2-6 (5-04), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

## FEDERAL MILK ORDER ADVANCE PRICES, JUNE

**Class I Base Price --** Under the Federal milk order pricing system, the Class I base price for June 2004 is \$21.13 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$12.98 and the advanced butterfat pricing factor of \$2.4580. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information --** The advanced Class IV skim milk pricing factor is \$6.21. Thus, the Class II skim milk price for June is \$6.91 per cwt., and the Class II nonfat solids price is \$0.7678. **Product Price Averages --** The two-week product price averages for June are: butter \$2.1633, nonfat dry milk \$0.8372, cheese \$2.1838, and dry whey \$0.2975.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <sup>1/</sup> <sup>2/</sup>				
Federal Milk Order Marketing Area <sup>3/</sup>	Order Number	June 2004		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <sup>4/</sup>	001	24.38	16.23	2.4905
Appalachian (Charlotte) <sup>5/</sup>	005	24.23	16.08	2.4890
Southeast (Atlanta) <sup>6/</sup>	007	24.23	16.08	2.4890
Florida (Tampa) <sup>7/</sup>	006	25.13	16.98	2.4980
Midwest (Cleveland) <sup>8/</sup>	033	23.13	14.98	2.4780
Upper Midwest (Chicago) <sup>9/</sup>	030	22.93	14.78	2.4760
Central (Kansas City) <sup>10/</sup>	032	23.13	14.98	2.4780
Southwest (Dallas) <sup>11/</sup>	126	24.13	15.98	2.4880
Arizona-Las Vegas (Phoenix) <sup>12/</sup>	131	23.48	15.33	2.4815
Pacific Northwest (Seattle) <sup>13/</sup>	124	23.03	14.88	2.4770
All-Market Average		23.78	15.63	2.4845

<sup>1/</sup> To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. <sup>2/</sup> Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. <sup>3/</sup> Names in parentheses are the major city in the principal pricing point of the markets.

<sup>4/</sup> Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. <sup>5/</sup> Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. <sup>6/</sup> Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, MO., minus \$0.90. <sup>7/</sup> Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$.30. <sup>8/</sup> Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

<sup>9/</sup> Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. <sup>10/</sup> Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. <sup>11/</sup> Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. <sup>12/</sup> Class I prices at Las Vegas is minus \$0.35. <sup>13/</sup> Class I prices at other cities are: Portland, same; and Spokane, same.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE <sup>1/</sup>

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>	CPI <sup>2/</sup>	Pct. Chg. <sup>3/</sup>
FEB 2004	184.1	3.3	172.1	2.9	168.5	6.0	172.6	2.4	154.8	4.2	179.7	9.1
MAR 2004	184.4	3.2	171.9	2.9	166.2	5.7	173.9	3.5	174.8	19.9	179.5	8.9
APR 2004	184.5	3.4	174.0	4.9	171.2	8.0	175.6	5.4	181.9	31.5	179.2	8.5
<b>U.S. City Average Retail Prices</b>												
Month	Whole Milk <sup>4/</sup>		Butter <sup>5/</sup>		Process Cheese <sup>6/</sup>		Natural Cheese <sup>7/</sup>		Ice Cream <sup>8/</sup>			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Dollars											
FEBRUARY	2.814	2.689	2.787	2.964	3.937	3.844	3.976	4.020	3.808	3.788		
MARCH	2.786	2.656	3.466	2.990	3.895	3.814	4.079	4.049	3.648	3.852		
APRIL	2.908	2.674	3.353	2.721	3.848	3.760	4.134	3.960	3.815	3.296		

<sup>1/</sup> "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. <sup>2/</sup> The standard reference base period for these indexes is 1982-1984 = 100. <sup>3/</sup> Percent change over previous year. <sup>4/</sup> Per gallon. <sup>5/</sup> Per pound. Grade AA, salted, stick butter. <sup>6/</sup> Per pound, any size and type of package. <sup>7/</sup> Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). <sup>8/</sup> Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—JANUARY-MARCH 2003-2004 AND ANNUAL 2002-2003 <sup>1/</sup>

Item	Jan.-Mar. 2003	Percent change <sup>2/</sup>	Jan.-Mar. 2004	Percent change <sup>2/</sup>	Annual 2002	Percent change <sup>2/</sup>	Annual 2003	Percent change <sup>2/</sup>
	Million Pounds							
<b>MILK</b>								
Production	43,069	1.4	42,710	-1.9	170,063	3.2	170,312	0.1
Marketings	42,794	1.4	42,449	-1.9	168,944	3.2	169,198	0.2
Beginning Commercial Stocks <sup>3/</sup>	9,891	40.5	8,331	-15.8	7,041	3.0	9,891	40.5
Imports <sup>3/</sup>	1,239	4.0	1,157	-6.6	5,104	-10.7	5,040	-1.3
Total Supply <sup>4/</sup>	53,924	6.9	51,937	-4.5	181,089	2.8	184,129	1.7
Ending Commercial Stocks <sup>3/</sup>	12,110	26.1	10,063	-16.9	9,891	40.5	8,331	-15.8
Net Removals <sup>3/</sup>	377	489.1	-92	-124.4	327	125.5	1,165	256.3
Commercial Disappearance <sup>4/</sup>	41,437	1.6	41,966	0.1	170,871	1.1	174,633	2.2
<b>SELECTED PRODUCTS <sup>5/</sup></b>								
Butter	309.9	-1.3	287.3	-8.4	1,288.1	1.3	1,309.2	1.6
American Cheese	895.1	0.9	927.4	2.5	3,714.5	1.2	3,707.6	-0.2
Other Cheese	1,248.5	-0.2	1,345.4	6.6	5,218.6	3.5	5,340.9	2.3
Nonfat Dry Milk	161.9	0.2	322.5	97.2	822.0	-12.9	896.4	9.1
Fluid Milk Products <sup>6/</sup>	13,977.9	0.9	13,984.0	-1.1	55,266.2	0.3	54,980.7	-0.5

<sup>1/</sup> Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. <sup>2/</sup> From year earlier on a daily average basis. <sup>3/</sup> Milk-equivalent, milkfat basis. <sup>4/</sup> Totals may not add because of rounding. <sup>5/</sup> Commercial disappearance in product pounds. <sup>6/</sup> Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.



ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, JUNE 2004, WITH COMPARISONS <sup>1/</sup>												
CITY	June 2002			June 2003			May 2004			June 2004		
	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference
	Dollars Per Hundredweight, 3.5% Butterfat											
Atlanta, GA	16.06	14.13	1.93	15.10	12.84	2.26	23.78	22.75	1.03	25.26	24.23	1.03
Baltimore, MD	15.78	14.03	1.75	14.51	12.74	1.77	24.50	22.65	1.85	25.98	24.13	1.85
Boise, ID <sup>2/</sup>	12.93	12.63	0.30	11.64	11.34	0.30	---	---	---	---	---	---
Boston, MA	15.88	14.28	1.60	14.39	12.99	1.40	24.60	22.90	1.70	26.08	24.38	1.70
Charlotte, NC	16.06	14.13	1.93	15.10	12.84	2.26	23.78	22.75	1.03	25.26	24.23	1.03
Chicago, IL <sup>3/</sup>	14.89	12.83	2.06	13.61	11.54	2.07	25.17	21.45	3.72	26.56	22.93	3.63
Cincinnati, OH	14.84	13.23	1.61	13.89	11.94	1.95	23.53	21.85	1.68	25.01	23.33	1.68
Cleveland, OH	14.64	13.03	1.61	13.69	11.74	1.95	23.33	21.65	1.68	24.81	23.13	1.68
Dallas, TX	15.86	14.03	1.83	14.14	12.74	1.40	23.15	22.65	0.50	24.63	24.13	0.50
Denver, CO	14.43	13.58	0.85	13.14	12.29	0.85	23.05	22.20	0.85	24.53	23.68	0.85
Des Moines, IA	14.20	12.83	1.37	12.92	11.54	1.38	23.15	21.45	1.70	24.63	22.93	1.70
Detroit, MI	14.08	12.83	1.25	13.08	11.54	1.54	23.07	21.45	1.62	24.55	22.93	1.62
Hartford, CT	15.78	14.18	1.60	14.29	12.89	1.40	24.50	22.80	1.70	25.98	24.28	1.70
Houston, TX	16.46	14.63	1.83	14.74	13.34	1.40	23.75	23.25	0.50	25.23	24.73	0.50
Indianapolis, IN	14.64	13.03	1.61	13.69	11.74	1.95	23.33	21.65	1.68	24.81	23.13	1.68
Kansas City, MO	14.79	13.03	1.76	13.51	11.74	1.77	22.84	21.65	1.19	24.32	23.13	1.19
Louisville, KY	14.33	13.23	1.10	13.74	11.94	1.80	23.43	21.85	1.58	24.91	23.33	1.58
Memphis, TN	15.56	13.83	1.73	14.60	12.54	2.06	23.28	22.45	0.83	24.76	23.93	0.83
Miami, FL	18.57	15.33	3.24	17.26	14.04	3.22	26.05	23.95	2.10	27.53	25.43	2.10
Milwaukee, WI <sup>3/</sup>	14.99	12.78	2.21	13.71	11.49	2.22	25.12	21.40	3.72	26.51	22.88	3.63
Minneapolis, MN <sup>3/</sup>	14.34	12.73	1.61	13.06	11.44	1.62	24.82	21.35	3.47	26.21	22.83	3.38
New Orleans, LA	16.21	14.63	1.58	15.25	13.34	1.91	24.08	23.25	0.83	25.56	24.73	0.83
Oklahoma City, OK	15.28	13.63	1.65	13.99	12.34	1.65	22.80	22.25	0.55	24.28	23.73	0.55
Omaha, NE	14.25	12.88	1.37	12.97	11.59	1.38	22.90	21.50	1.40	24.38	22.98	1.40
Philadelphia, PA	15.95	14.08	1.87	14.56	12.79	1.77	24.55	22.70	1.85	26.03	24.18	1.85
Phoenix, AZ	13.53	13.38	0.15	12.24	12.09	0.15	22.15	22.00	0.15	23.63	23.48	0.15
Pittsburgh, PA	15.13	13.13	2.00	13.74	11.84	1.90	23.75	21.75	2.00	25.23	23.23	2.00
St. Louis, MO	14.28	13.03	1.25	12.99	11.74	1.25	23.20	21.65	1.55	24.68	23.13	1.55
Salt Lake City, UT <sup>2/</sup>	13.23	12.93	0.30	11.94	11.64	0.30	---	---	---	---	---	---
Seattle, WA	13.35	12.93	0.42	12.06	11.64	0.42	21.97	21.55	0.42	23.45	23.03	0.42
Springfield, MO	14.88	13.23	1.65	13.59	11.94	1.65	22.40	21.85	0.55	23.88	23.33	0.55
Washington, DC	15.78	14.03	1.75	14.51	12.74	1.77	24.50	22.65	1.85	25.98	24.13	1.85
Simple Average	15.03	13.51	1.52	13.80	12.22	1.58	23.68	22.18	1.50	25.16	23.66	1.50

<sup>1/</sup> This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

<sup>2/</sup> The data series for these cities was discontinued for April 2004, as the Federal milk order in which these cities are located was terminated on April 1, 2004.

<sup>3/</sup> Announced cooperative prices for May and June 2004 include a \$1.50 surcharge due to expected negative Producer Price Differentials.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 24 - 28, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 05/21/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	12,016,297	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,313,280	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	13,329,577	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	6,232,244	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,545,706	-0-	-0-
Process	-0-	-0-	-0-	-0-	27,878,400	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	39,656,350	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	3,042,285#	132,276	2,910,009	282,199,260#\$	470,155,990	690,526,000	1,268,710,000
Fortified	-0-	-0-	-0-	-119,048	125,332	46,391,000	46,391,000
<b>TOTAL</b>	3,042,285#	132,276	2,910,009	282,080,212#\$	470,281,322	736,917,000	1,315,101,000

# Export Donation Program under Invitation 080 to announcement FMP1. The cumulative under Invitation 080 is 40,897,838. \$ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MAY 24 - 28, 2004 =	0.6	33.9	COMPARABLE PERIOD IN 2003 =	41.3	175.6
CUMULATIVE SINCE OCTOBER 1, 2003 =	61.1	3,283.4	CUMULATIVE SAME PERIOD LAST YEAR =	760.1	5,868.3
CUMULATIVE JANUARY 1 - MAY 28, 2004 =	35.6	1,934.2	COMPARABLE CALENDAR YEAR 2003 =	686.0	4,602.7

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MAY 24 - 28, 2004 (POUNDS)

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS		NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-		-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-		2,910,009	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-		-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	28,089,972	7,646,276	17,969,482	2.8	34.6
WEST	-42,309	13,329,577	-0-	11,566,378	270,150,162	422,634,142	95.7	64.5
EAST	-0-	-0-	-0-	-0-	4,283,774	29,677,698	1.5	0.9
<b>TOTAL</b>	-42,309	13,329,577	-0-	39,656,350	282,080,212	470,281,322	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **66,666,155 pounds**.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 05/08/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2004-Dairy	0.0	0.7	6.8	2.0	15.4	1.9	0.4	0.9	9.5	2.0	39.6	890.9
2003-Dairy	0.2	0.8	6.9	4.4	20.7	2.1	0.3	1.0	13.5	3.0	52.7	1,078.8
2004-All cows	0.1	0.7	8.3	9.7	27.1	12.7	15.4	3.0	11.7	5.6	94.1	1,842.7
2003-All cows	0.2	0.9	9.2	14.0	31.4	16.7	15.2	3.4	15.5	6.3	112.8	2,183.9

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13						
II	11.67	12.90	14.79	15.21								
III	11.61	11.89	14.49	19.66								
IV	10.97	12.21	14.10	14.57								

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)